



# Rates Financial Hardship Policy 2020

Version 1

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# Contents

<b>Policy statement</b> .....	3
<b>1.0 Objectives of the hardship policy</b> .....	3
<b>2.0 Principles for hardship policy</b> .....	3
<b>2.0 Financial hardship criterion</b> .....	4
<b>3.0 Rate Deferment</b> .....	4
<b>4.0 Payment arrangement</b> .....	4
<b>5.0 Waiver of interest charges</b> .....	4
Administrative waiver .....	5
Waiver on compassionate grounds .....	5
Financial hardship .....	5
<b>6.0 Exceptional circumstances – rate reduction or waiver</b> .....	5
<b>7.0 What is not financial hardship?</b> .....	5
<b>8.0 Application procedure</b> .....	5
<b>9.0 Confidentiality</b> .....	6

# Policy statement

Municipal rates constitute the majority of Council's annual income. Municipal rates are raised in accordance with the *Local Government Act 1989* (the Act) and provide a number of options through which payments can be made.

Council recognises that managing financial hardship is a shared responsibility. Sections 170, 171 and 171A of the Act give Council the power to defer and / or waive in part or whole the payment of rates and charges if Council determines the enforcement of the requirement to pay would cause hardship to the ratepayer.

The purpose of this Policy is to enable a person liable for rates and charges, and experiencing hardship, to make application to Council for assistance relating to rates and charges levied on a property under the Local Government Act 1989 (the Act).

The Policy defines hardship and provides the framework and guidelines to Council, in accordance with the Act, relating to the possible granting of a deferral of the payment of levied rates or charges, or waiver of part or all of those levied rates and charges.

The difference between a deferral and waiver is that:

- A deferral suspends payment for a period of time
- A waiver permanently exempts payment of the fee or charge under discussion

Due to the Act, this Policy only provides assistance to the ratepayers who meet the following criteria:

- For waiver of rates – a ratepayer of a residential property who is also the owner occupier
- For deferment of rates – both residential and commercial ratepayers
- For suspension, reduction or waiving of interest charges – both residential and commercial ratepayers

## 1.0 Objectives of the hardship policy

The purpose of this policy is to:

- To provide assistance to ratepayers experiencing financial hardship.
- To provide a mechanism that enables people to feel comfortable approaching Council about outstanding debts or current financial hardship circumstances.
- To provide ratepayers with assurance they will be treated in a consistent, equitable and confidential manner.
- To ensure the policy is fair to all ratepayers.
- To ensure Council's debt collection practices are sensitive and responsive to financial hardship issues.
- To demonstrate Council's constructive culture and core values.

## 2.0 Principles for hardship policy

- Early identification - successful financial hardship programs have good identification and communication strategies, including proactive material on council websites and rates notices.
- Support for our ratepayers - Council will encourage ratepayers to utilise financial counselling, legal and other supporting services.

- Equity - ensuring the extent of assistance does not have an unfair impact on other ratepayers.
- Fairness - legal action to recover debt should be a last resort.

## 2.0 Financial hardship criterion

For the purpose of this policy, financial hardship is considered a change in circumstances which will affect the long term ability of a ratepayer to pay rates and charges.

Council recognises that not all circumstances are alike, and that financial hardship may arise from a range of individual circumstances, including but not limited to, the following situations:

- unemployment
- sickness or injury
- family break down
- low income or loss of income

## 3.0 Rate Deferment

Section 170 of the Act provides for rate deferment.

Ratepayers may have rates deferred (although rates and charges will continue to be levied).

In all applications for rate deferrals, the applicant will be encouraged to continue to pay the portion of rates that is affordable given their individual circumstances. This will be mutually agreed on a case-by-case basis.

## 4.0 Payment arrangement

A payment arrangement is a schedule of payments that is established with Council of an agreed amount and frequency. These arrangements are made with the following in mind:

- a ratepayer has demonstrated a genuine effort to meet obligations in the past.
- a payment arrangement should be set with a known end date that clears the debt within an agreed timeframe.
- penalty interest will be charged on outstanding balances, but a waiver of interest charges (partial or whole) may be approved, or offered as an incentive for earlier settlement of the debt.
- repeated payment defaults may result in cancellation of the arrangement and initiation of recovery action for unpaid debt.
- it is the applicants responsibility to communicate with Council should further hardship barriers to payment be experienced.

## 5.0 Waiver of interest charges

Interest is charged on overdue rates and charges in accordance with Section 172 of the Act. Interest is calculated at the rate fixed under section 2 of the *Penalty Interest Rates Act 1983* that applied on the first day of July immediately before the due date for the payment.

A ratepayer may request a suspension or waiver of interest accruals for financial hardship. This should be accompanied by sufficient written evidence to support the hardship claim.

Interest waiver /deferment primarily fall under three key categories:

## **Administrative waiver**

Ratepayers may have interest waived in the event of an administrative issue, error or omission which has caused or significantly contributed to the failure to pay rates in a timely manner.

## **Waiver on compassionate grounds**

Compassionate grounds include:

- serious illness
- recent accident or injury
- death of an immediate family member
- recent loss of employment

## **Financial hardship**

Financial hardship arises in an array of circumstances and includes:

- unemployment
- sickness or injury
- family break down
- low income or loss of income

## **6.0 Exceptional circumstances – rate reduction or waiver**

Sections 171 and 171A of the Act provide for a waiver of rates.

Council's preference is to not waive rates or charges on the basis it is considered inequitable for the majority of ratepayers to subsidise the property assets of hardship applicants. A more equitable solution for the entire community is to defer rates and charges.

However, Council will consider the waiving or reduction of rates for certain cohorts of ratepayers where exceptional circumstances are experienced, and where severe impact can be demonstrated.

Consideration of a waiver can only occur if all financial information has been disclosed to Council with supporting documentation as may be requested.

## **7.0 What is not financial hardship?**

Council frequently enters into short term payment extensions with rate payers. Although scenarios in which this form of assistance is granted could be a precursor to financial hardship, Council would generally not categorise this as 'hardship assistance'. In these circumstances, Council would monitor progress towards clearing the debt within the specified time. If the debt is not cleared, further assistance may be considered. Interest is accrued on arrears after due dates.

## **8.0 Application procedure**

In the case of hardship, a request of assistance from Council must be made in writing, including the details of the circumstances preventing the ratepayer from meeting their financial obligation to Council.

Council will consider the request for financial hardship and advise its decision in writing within 14 days of receiving an application for financial hardship consideration, subject to all relevant information being provided.

Depending on the number and complexity of applications received, Council may utilise external organisations that employ qualified financial counsellors to undertake financial hardship assessments.

A ratepayer may request a review of the Council decision by outlining the grounds for the review. This must be in writing and addressed to the Chief Executive Officer.

## **9.0 Confidentiality**

Applications for financial hardship will be treated in accordance with Council's Privacy Policy.